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SUBJECT: GARCIA CHOOSES COMPETENCE FOR HIS ECONOMIC TEAM

¶1. (U) Summary: President Garcia's choices for Finance Minister, Trade Minister and Production Minister suggest that he will maintain the economic policies of the Toledo Administration. The Finance Minister, Luis Carranza, has not been a high-profile political player, but he brings sound economic credentials and a reputation as a committed fiscal conservative. The Trade Minister, Mercedes Araoz, is a committed free trade advocate with considerable experience in trade negotiations. Production Minister Rafael Rey is a popular center-right politician. End Summary.

#### Economy and Finance - Luis Carranza

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¶2. (U) Luis CARRANZA Ugarte is one of Peru's leading economists and enjoys a reputation as a fiscal conservative. He earned his PhD at the University of Minnesota and worked for the U.S. Federal Reserve Bank in Minneapolis and the International Monetary Fund in Washington, before returning to Peru.

¶3. (U) Carranza served as one of the vice ministers at the Ministry of Economy and Finance from 2004 to 2005, serving under Minister (later Prime Minister) Pedro Pablo Kuczynski and with then-Vice Minister Fernando Zavalla, who later became Minister of Economy and Finance. He also served as a Director of Peru's Central Bank. Prior to being named Minister of Economy and Finance, Carranza was the lead economist for Latin America and Emerging Markets at Spanish Bank BBVA in Madrid.

¶4. (SBU) While not widely known outside economic circles, Carranza has a strong reputation as a fiscal conservative. He was rumored to have resigned from the Ministry of Economy and Finance in protest over proposed pre-election government spending. He is also credited with overseeing the sale of \$1.5 billion in Government of Peru bonds to pay off Peru's Paris Club debt. His appointment has been generally applauded by the business sector and economic analysts, because it portends that the Garcia Administration will maintain the same fiscally conservative policies of the Toledo Administration. For the same reason, several unions and left-leaning academics have denounced the appointment.

¶5. (U) Carranza is 39 years old, born on December 21, 1966. He is married with two children, and speaks English well.

Trade and Tourism - Mercedes Araoz

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¶6. (U) Mercedes ARAOZ (ah-RAH-os) Fernandez is a free trade advocate and a strong supporter of the U.S.-Peru Trade Promotion Agreement (PTPA). She has considerable trade negotiating experience and received good reviews as the Peruvian lead in the Trade Capacity Building group during the PTPA negotiations. She led Peru's negotiating team in the Subsidies, Anti-Dumping and Countervailing Duties group in the Free Trade Area of the Americas (FTAA) negotiations, and also chaired the FTAA's Competition Policy negotiating group.

¶7. (SBU) Araoz is one of six women ministers named by President Garcia. She had been on a short list of candidates to be a Trade Vice Minister during the Toledo Administration, but the position went to Pablo De la Flor. She has been a member and vice president of the Commission on Dumping and Subsidies Investigations of INDECOPI (Peru's competition watchdog agency). She also chaired Peru's National Council on Competitiveness. Prior to being named Minister of Foreign Trade and Tourism, Mercedes Araoz Fernandez was (and remains) a professor of international trade at the well-respected University of the Pacific.

¶8. (U) Araoz has a Master's Degree in economics (1991), and was a candidate for a Ph.D. in economics (1993) from the University of Miami. She is divorced with a sixteen year old daughter and speaks very good English.

Production - Rafael Rey

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¶9. (U) Rafael REY Rey is a very well known and prominent center-right politician. Between 1988 and 1992, Rey served as regional secretary of the Movimiento Libertad political party. After President Fujimori's "auto coup," Rey was elected in 1992 as a constituent member of Fujimori's "Democratic" Constitutional Congress. During this time, he was a Fujimori supporter. In 1995, Rey broke from the Fujimori camp and joined the political opposition (though he still advocated pro-business economic policies).

¶10. (U) During the mid- to late-1990s he founded, and was president of, two new political parties, Renovacion Nacional (RN, not to be confused with the later Restauracion Nacional) and Avancemos. He was elected to the Congress in 1995, where he served on the Foreign Relations and Ethics Committees and various investigative commissions. He did not run for reelection in 2006, but instead ran for and won a seat on the regional Andean Parliament.

¶11. (U) Before entering politics, Rey worked in the private sector as an engineer and businessman. He holds a bachelor degree in industrial engineering from the prestigious Catholic University of Peru, and also studied industrial engineering at the University of Piura, where his father, Ricardo Rey Polis, served as Chancellor. He also holds management certificates from schools in Lima (1978) and Costa Rica (1997).

¶12. (U) Rey was born February 26, 1954 in Lima, and he is fluent in English. He is single, a devout Catholic and member of Opus Dei.

¶13. (SBU) Various Minister of Production officials, Garcia transition team members and fishing industry contacts had told DepEconCouns that President Garcia was seriously considering splitting the Vice Ministry of Fishing into a separate ministry, as it had been before President Toledo. The importance of fishing to both the domestic and export economy, and complex regulatory issues made this a logical move. Rey has said publicly that he did not want this and assured Garcia that he could handle the ministry with fisheries remaining under his control.

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